

# ASJ

## ASJ HOLDINGS LIMITED

(Co. Reg. No. 19960740N)

### FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2005

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## **1. REVIEW OF PERFORMANCE**

### **Revenue**

Group revenue, which comprises the manufacturing and sale of resistors (“**Manufacturing**”) and the distribution of related electronic components (“**Distribution**”), declined by 40% to \$16.9 million.

Turnover for Manufacturing in 1H2005 was \$15.6 million, a 25% decrease from first half of previous year. The decline in turnover was mainly due to lower shipment volume and 4% erosion in average selling price for resistors.

As profitable opportunities in the bundling of third-party electronic components were limited, the Group reduced its Distribution activity, which dropped 83% to \$1.3 million in the first half 2005.

In 1H2005, turnover contribution from Manufacturing and Distribution activities was 92:8 as compared to 73:27 ratio in the previous corresponding period.

### **Operations and Profitability**

The Group's gross profit decreased 43% to \$4.6 million and its gross profit margin dropped by 1.5 percentage points to 27% as a result of lower sales and higher cost of sales in 1H2005. The higher cost of sales is mainly due to:

- Higher depreciation cost
- Stock provision charge in 1H2005 verse a reversal of stock provision in 1H2004
- Lower utilization of manufacturing capacity consequent to the reduction in shipment volume
- Increase in engineering, evaluation and related expenses in respect to new initiatives undertaken by the Group

During first half 2005 and last quarter 2004, the Group completed the following initiatives:

- Full migration to the manufacturing of environmental friendly products, to meet environmental standards required mainly by its European and American customers
- Application and conversion to larger size substrate, to benefit future production efficiency and throughput
- Fully implemented its ERP system, where the Group's operations is now managed from a central database
- Setting up of its third manufacturing plant, ready to better access the Chinese market

The lower gross profit and a lower foreign exchange gain resulted in lower profit before tax, \$2 million in 1H2005 as compared to \$5.5 million in 1H2004.

The recognition of deferred tax asset of the Malaysian subsidiary and reversal of over-provision of taxes in respect of prior years resulted in minimal tax expense in 1H2005. With the lower tax expense, net profit attributable to shareholders for 1H2005 is \$2 million, a 58% decrease from the \$4.8 million reported in 1H2004.

### **Balance Sheet**

The increase in deferred tax assets to \$1.1 million as at 30 June 2005 was mainly due to the recognition of deferred tax assets of the Malaysia subsidiary.

Stocks increased from \$6.1 million as at 31 December 2004 to \$6.7 million as at 30 June 2005 mainly due to the lower shipment volume.

Debtors reduced from \$9.3 million as at 31 December 2004 to \$7.2 million as at 30 June 2005 mainly due to reduction in sales.

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**Cash Flows**

The Group's operations continued to generate positive cash flows of \$5.2 million in 1H2005. After the payment for capital expenditure of \$1.3 million and taxes of \$0.8 million as well as dividend payment of \$7 million to shareholders, the Group's net cash & cash equivalents stood at \$1.4 million as at 30 June 2005.

**2. VARIANCE BETWEEN FORECAST OR PROSPECT STATEMENT AND ACTUAL RESULTS**

The first half 2005 results are consistent with the commentary made under the paragraph titled "Current Period Outlook" of the first quarter 2005 financial statement announcement released on 12 May 2005.

**3. CURRENT PERIOD OUTLOOK**

*- Commentary at the date of the announcement of competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.*

Operating conditions are expected to remain challenging in the second half of 2005. The removal of the peg to the US dollars for the Chinese Yuan and Malaysian Ringgit could add further cost uncertainties.

Demand growth for surface mount resistors in markets where the Group operates is not expected to be significant in third quarter of 2005. Europe and the United States markets are still experiencing relatively soft demand. Meanwhile, demand growth has more potential in the Hong Kong and China market, a market which is more price sensitive. To participate aggressively in this price sensitive market, price erosion may exceed the 4% average selling price erosion level which the Group recorded in 1H2005. Moving ahead, the Group will monitor its shipment volume expansion geographically cautiously taking into consideration the expected higher depreciation cost and the expanded manufacturing capacity. With the initiatives mentioned in point (1) above well in place and the available ready capacity which the Group has, the Group's position is enhanced and ready in addressing potential future demand growth in surface mount resistors.

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**4.1 CONSOLIDATED INCOME STATEMENT**

	3 months ended 30 June			6 months ended 30 June		
	2005	2004	Change	2005	2004	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b>Revenue</b>	<b>8,540</b>	<b>15,491</b>	(44.9)	<b>16,880</b>	<b>28,247</b>	(40.2)
Cost of sales	(6,521)	(11,216)	(41.9)	(12,316)	(20,193)	(39.0)
<b>Gross profit</b>	<b>2,019</b>	<b>4,275</b>	(52.8)	<b>4,564</b>	<b>8,054</b>	(43.3)
Other income / (expense)	(7)	(2)	250.0	4	14	(71.4)
Selling expense	(736)	(859)	(14.3)	(1,593)	(1,680)	(5.2)
General and administrative expense	(623)	(807)	(22.8)	(1,134)	(1,377)	(17.6)
<b>Profit before foreign exchange, interest and tax ("PBFIT")</b>	<b>653</b>	<b>2,607</b>	(75.0)	<b>1,841</b>	<b>5,011</b>	(63.3)
Foreign exchange gain / (loss)	169	621	(72.8)	177	385	(54.0)
Interest income	11	50	(78.0)	17	108	(84.3)
Interest expense	(1)	-	n.m.	(1)	-	n.m.
<b>Profit before income tax</b>	<b>832</b>	<b>3,278</b>	(74.6)	<b>2,034</b>	<b>5,504</b>	(63.0)
Income tax	(152)	(502)	(69.7)	(22)	(671)	(96.7)
<b>Profit after income tax</b>	<b>680</b>	<b>2,776</b>	(75.5)	<b>2,012</b>	<b>4,833</b>	(58.4)
<b>Profit after income tax attributable to:</b>						
- Shareholders of the Company	681	2,773	(75.4)	2,009	4,811	(58.2)
- Minority interest	(1)	3	(133.3)	3	22	(86.4)
	<b>680</b>	<b>2,776</b>	(75.5)	<b>2,012</b>	<b>4,833</b>	(58.4)
<b>Earnings before depreciation, interest and tax ("EBDITA")</b>	<b>1,783</b>	<b>4,044</b>	(55.9)	<b>3,840</b>	<b>7,037</b>	(45.4)

**Margins**

- Gross profit margin	23.6%	27.6%	27.0%	28.5%
- EBDITA margin	20.9%	26.1%	22.7%	24.9%
- Profit before forex, interest and tax margin	7.6%	16.8%	10.9%	17.7%
- Profit before income tax margin	9.7%	21.2%	12.0%	19.5%
- Profit after income tax margin	8.0%	17.9%	11.9%	17.0%

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**4.2 NOTES TO CONSOLIDATED INCOME STATEMENT**

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	S\$'000	S\$'000	S\$'000	S\$'000
<b>4.2.1 REVENUE</b>				
Turnover / sale of goods				
- Manufacturing activities	7,909	10,882	15,599	20,702
- Distribution activities	626	4,607	1,276	7,535
	<u>8,535</u>	<u>15,489</u>	<u>16,875</u>	<u>28,237</u>
Commission income	5	2	5	10
	<u>8,540</u>	<u>15,491</u>	<u>16,880</u>	<u>28,247</u>

**4.2.2 Profit before foreign exchange, interest and tax is stated after charging / (crediting) :-**

- Investment income	-	-	-	-
- Other income including interest income	(11)	(50)	(17)	(132)
- Interest on borrowings	1	-	1	-
- Depreciation and amortisation	961	816	1,822	1,641
- Provision / (write back) for doubtful debts and bad debts written off	-	-	17	-
- Provision / (write back) for stock obsolescence and shrinkage	59	111	59	(141)
- Provision / (write back) for impairment in value of investments	-	-	-	-
- Loss / (gain) on disposal of property, plant and equipment	7	2	(4)	9
- Exceptional items	-	-	-	-
- Extraordinary items	-	-	-	-

**4.2.3 INCOME TAX**

Provision / (write back) for income tax in respect of the profit for the financial periods :-

- Current income tax	349	(875)	687	(448)
- Deferred income tax	(197)	1,354	(360)	1,180
	<u>152</u>	<u>479</u>	<u>327</u>	<u>732</u>

Under / (over) provision of income tax in respect of prior financial periods :-

- Current income tax	-	-	(305)	(84)
- Deferred income tax	-	23	-	23
	<u>-</u>	<u>23</u>	<u>(305)</u>	<u>(61)</u>
	<u>152</u>	<u>502</u>	<u>22</u>	<u>671</u>

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**4.3 BALANCE SHEETS**

	<u>Group</u>		<u>Company</u>	
	<u>30-Jun-05</u>	<u>31-Dec-04</u>	<u>30-Jun-05</u>	<u>31-Dec-04</u>
	S\$'000	S\$'000	S\$'000	S\$'000
<b><u>Non-current assets</u></b>				
Property, plant and equipment, net	16,204	16,601	-	-
Investment in subsidiary companies	-	-	17,000	17,062
Deferred income tax assets	1,124	900	-	-
	<b><u>17,328</u></b>	<b><u>17,501</u></b>	<b><u>17,000</u></b>	<b><u>17,062</u></b>
<b><u>Current assets</u></b>				
Stocks	6,660	6,144	-	-
Debtors	7,234	9,288	13	15
Due from subsidiary companies	-	-	4,950	4,278
Cash and cash equivalents	1,380	5,021	382	1,481
	<b><u>15,274</u></b>	<b><u>20,453</u></b>	<b><u>5,345</u></b>	<b><u>5,774</u></b>
<b><u>Current liabilities</u></b>				
Creditors	4,799	4,982	267	939
Provision for income tax	1,065	1,452	-	8
	<b><u>5,864</u></b>	<b><u>6,434</u></b>	<b><u>267</u></b>	<b><u>947</u></b>
<b>Net current assets</b>	<b>9,410</b>	<b>14,019</b>	<b>5,078</b>	<b>4,827</b>
<b><u>Non-current liabilities</u></b>				
Deferred income tax liabilities	(1,105)	(1,266)	-	-
	<b><u>(1,105)</u></b>	<b><u>(1,266)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net assets</b>	<b><u>25,633</u></b>	<b><u>30,254</u></b>	<b><u>22,078</u></b>	<b><u>21,889</u></b>
<b><u>Equity</u></b>				
Share capital	20,915	20,862	20,915	20,862
Reserves	4,478	9,161	1,163	1,027
	25,393	30,023	22,078	21,889
Minority interest	240	231	-	-
<b>Total equity</b>	<b><u>25,633</u></b>	<b><u>30,254</u></b>	<b><u>22,078</u></b>	<b><u>21,889</u></b>

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**4.4 NOTES TO BALANCE SHEETS**

**4.4.1 BORROWINGS AND DEBT SECURITIES**

	<b>Group</b>			
	<b>As at 30 Jun 2005</b>		<b>As at 31 Dec 2004</b>	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less, or on demand	-	-	-	-
Amount repayable after one year	-	-	-	-

**4.4.2 SHARE CAPITAL**

	<b>Group and Company</b>	
	<b>No. of ordinary shares (in thousands)</b>	<b>S\$'000</b>
Issued and paid up capital :-		
Balance at 1 January 2005	173,850	20,862
Issue of ordinary shares by exercise of executives' share option	240	29
Balance at 31 March 2005	174,090	20,891
Issue of ordinary shares by exercise of executives' share option	198	24
Balance at 30 June 2005	174,288	20,915

As at the end of the financial period, the options granted under the Executives' Share Option Scheme (after adjusting for staff resignation) which have yet to be exercised are 1,594,000 (1H2004 : 3,347,200).

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**4.5 CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities :</b>				
Profit before income tax	832	3,278	2,034	5,504
Adjustments for:				
Interest income	(11)	(50)	(17)	(108)
Interest expense	1	-	1	-
Depreciation of property, plant and equipment	961	816	1,822	1,641
Loss / (gain) on disposal of property, plant and equipment	7	2	(4)	9
Net exchange adjustment	29	(6)	29	24
<b>Operating income before reinvestment in working capital</b>	<b>1,819</b>	<b>4,040</b>	<b>3,865</b>	<b>7,070</b>
Decrease / (increase) in stocks	(432)	723	(516)	99
Decrease / (increase) in debtors	184	(2,711)	2,108	(3,038)
Increase / (decrease) in creditors	1,980	(20)	(258)	(207)
<b>Cash generated from / (used in) operations</b>	<b>3,551</b>	<b>2,032</b>	<b>5,199</b>	<b>3,924</b>
Interest income	11	50	17	108
Interest expense	(1)	-	(1)	-
Income taxes paid, net of refund	(774)	(1,220)	(821)	(1,240)
<b>Net cash provided by / (used in) operating activities</b>	<b>2,787</b>	<b>862</b>	<b>4,394</b>	<b>2,792</b>
<b>Cash flows from investing activities :</b>				
Purchase of property, plant and equipment	(946)	(389)	(1,258)	(880)
Proceeds from disposal of property, plant and equipment	37	-	65	-
<b>Net cash provided by / (used in) investing activities</b>	<b>(909)</b>	<b>(389)</b>	<b>(1,193)</b>	<b>(880)</b>
<b>Cash flows from financing activities :</b>				
Net proceeds from the issue of ordinary shares	58	948	130	1,046
Increase / (decrease) in short-term loan	-	232	-	232
Dividends paid on ordinary shares	(6,972)	(5,739)	(6,972)	(5,739)
<b>Net cash provided by / (used in) financing activities</b>	<b>(6,914)</b>	<b>(4,559)</b>	<b>(6,842)</b>	<b>(4,461)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(5,036)</b>	<b>(4,086)</b>	<b>(3,641)</b>	<b>(2,549)</b>
Cash and cash equivalents at beginning of financial period	6,416	35,983	5,021	34,446
Cash and cash equivalents at end of financial period	1,380	31,897	1,380	31,897

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**4.6 STATEMENTS OF CHANGES IN EQUITY**

<b>GROUP</b>	<b>Attributable to Shareholders of the Company</b>					<b>Minority Interest</b>	<b>Total Equity</b>
	<b>Share Capital</b>	<b>Share Premium Reserve</b>	<b>Foreign</b>	<b>Revenue Reserve</b>	<b>Total Reserve</b>		
			<b>Currency Translation Reserve</b>				
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
<b>Balance at 1 January 2004</b>	<b>28,342</b>	<b>937</b>	<b>(471)</b>	<b>27,853</b>	<b>56,661</b>	<b>200</b>	<b>56,861</b>
Issue of ordinary shares :-							
- by exercise of executives' share option	53	45	-	-	98	-	98
Net loss not recognised in the profit and loss account							
- exchange differences adjustment	-	-	(135)	-	(135)	(3)	(138)
Net profit attributable to shareholders	-	-	-	2,038	2,038	19	2,057
<b>Balance at 31 March 2004</b>	<b>28,395</b>	<b>982</b>	<b>(606)</b>	<b>29,891</b>	<b>58,662</b>	<b>216</b>	<b>58,878</b>
Issue of ordinary shares :-							
- by exercise of executives' share option	422	526	-	-	948	-	948
Issue of bonus shares	5,739	(1,394)	-	(4,345)	-	-	-
Net loss not recognised in the profit and loss account							
- exchange differences adjustment	-	-	156	-	156	4	160
Net profit attributable to shareholders	-	-	-	2,773	2,773	3	2,776
Dividend for FY 2003 paid, less income tax	-	-	-	(5,739)	(5,739)	-	(5,739)
<b>Balance at 30 June 2004</b>	<b>34,556</b>	<b>114</b>	<b>(450)</b>	<b>22,580</b>	<b>56,800</b>	<b>223</b>	<b>57,023</b>
<b>Balance at 1 January 2005</b>	<b>20,862</b>	<b>318</b>	<b>(814)</b>	<b>9,657</b>	<b>30,023</b>	<b>231</b>	<b>30,254</b>
Issue of ordinary shares :-							
- by exercise of executives' share option	29	43	-	-	72	-	72
Net profit attributable to shareholders	-	-	-	1,328	1,328	4	1,332
<b>Balance at 31 March 2005</b>	<b>20,891</b>	<b>361</b>	<b>(814)</b>	<b>10,985</b>	<b>31,423</b>	<b>235</b>	<b>31,658</b>
Issue of ordinary shares :-							
- by exercise of executives' share option	24	34	-	-	58	-	58
Net loss not recognised in the profit and loss account							
- exchange differences adjustment	-	-	203	-	203	6	209
Net profit attributable to shareholders	-	-	-	681	681	(1)	680
Dividend for FY 2004 paid	-	-	-	(6,972)	(6,972)	-	(6,972)
<b>Balance at 30 June 2005</b>	<b>20,915</b>	<b>395</b>	<b>(611)</b>	<b>4,694</b>	<b>25,393</b>	<b>240</b>	<b>25,633</b>

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**4.6 STATEMENTS OF CHANGES IN EQUITY (Cont'd)**

<u>COMPANY</u>	Share Capital	Share Premium Reserve	Revenue Reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance at 1 January 2004</b>	<b>28,342</b>	<b>937</b>	<b>15,969</b>	<b>45,248</b>
Issue of ordinary shares :-				
- by exercise of executives' share option	53	45	-	98
Net profit/(loss) attributable to shareholders	-	-	(67)	(67)
<b>Balance at 31 March 2004</b>	<b>28,395</b>	<b>982</b>	<b>15,902</b>	<b>45,279</b>
Issue of ordinary shares :-				
- by exercise of executives' share option	422	526	-	948
Issue of bonus shares	5,739	(1,394)	(4,345)	-
Net profit/(loss) attributable to shareholders	-	-	12,155	12,155
Dividend for FY 2003 paid, less income tax	-	-	(5,739)	(5,739)
<b>Balance at 30 June 2004</b>	<b>34,556</b>	<b>114</b>	<b>17,973</b>	<b>52,643</b>
<b>Balance at 1 January 2005</b>	<b>20,862</b>	<b>318</b>	<b>709</b>	<b>21,889</b>
Issue of ordinary shares :-				
- by exercise of executives' share option	29	43	-	72
Net profit/(loss) attributable to shareholders	-	-	21	21
<b>Balance at 31 March 2005</b>	<b>20,891</b>	<b>361</b>	<b>730</b>	<b>21,982</b>
Issue of ordinary shares :-				
- by exercise of executives' share option	24	34	-	58
Net profit/(loss) attributable to shareholders	-	-	7,010	7,010
Dividend for FY 2004 paid	-	-	(6,972)	(6,972)
<b>Balance at 30 June 2005</b>	<b>20,915</b>	<b>395</b>	<b>768</b>	<b>22,078</b>

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**5. AUDIT**

The financial statements herein have not been audited or reviewed by the Company's auditors.

**6. AUDITOR'S REPORT**

Not applicable.

**7. ACCOUNTING POLICIES**

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the most recent audited financial statements as at 31 December 2004 except for the adoption of all the new/revised Singapore Financial Reporting Standards (FRS) that are mandatory for financial years beginning on or after 1 January 2005. The adoption of the above FRS did not result in material changes to the Group's and Company's results.

**8. CHANGES IN ACCOUNTING POLICIES**

Please refer to paragraph 7.

**9. EARNINGS PER SHARE**

	Group			
	3 months ended 30 June		6 months ended 30 June	
	2005	2004	2005	2004
<b>Net profit attributable to shareholders (S\$'000)</b>	681	2,773	2,009	4,811
<b><u>Number of shares (in thousands)</u></b>				
Shares outstanding at beginning of the period	174,090	141,974	173,850	141,711
Weighted average number of ordinary shares issued during the period under Executives' Share Option Scheme	99	1,905	339	1,194
Adjustment for 1-for-5 bonus share issue in May 2004	-	28,693	-	28,693
Weighted average number of ordinary shares for the calculation of basic earnings per share	174,189	172,572	174,189	171,598
Effect of dilutive securities:				
Share options	452	1,144	486	1,544
Weighted average number of ordinary shares for the calculation of dilutive earnings per share	174,641	173,716	174,675	173,142
<b><u>Earnings per share (cents)</u></b>				
Basic	0.39	1.61	1.15	2.80
Diluted	0.39	1.60	1.15	2.78

**10. NET ASSET VALUE PER ORDINARY SHARE**

	Group		Company	
	30-Jun-05	31-Dec-04	30-Jun-05	31-Dec-04
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on issued share capital of the company	14.57	17.27	12.67	12.59

**11. DIVIDEND**

No interim dividend for the period ended 30 June 2005 is recommended.